

VZCZCXRO7578  
RR RUEHAO RUEHCD RUEHGA RUEHGD RUEHGR RUEHHA RUEHHO RUEHMC RUEHNG  
RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC  
DE RUEHCV #0574/01 0751252  
ZNR UUUUU ZZH  
R 161252Z MAR 07  
FM AMEMBASSY CARACAS  
TO RUEHC/SECSTATE WASHDC 8154  
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS  
RHEHNSC/NSC WASHDC  
RUMIAAA/HQ USSOUTHCOM MIAMI FL  
RHEBAAA/DEPT OF ENERGY  
RUEATRS/DEPT OF TREASURY  
RUCPDOG/DEPT OF COMMERCE

UNCLAS SECTION 01 OF 02 CARACAS 000574

SIPDIS

SENSITIVE  
SIPDIS

ENERGY FOR CDAY, DPUMPHREY, AND ALOCKWOOD  
TREASURY FOR KLINGENSMITH AND NGRANT  
COMMERCE FOR 4431/MAC/WH/MCAMERON  
NSC FOR DTOMLINSON  
HQ SOUTHCOM ALSO FOR POLAD

E.O. 12958: N/A  
TAGS: [ECON](#) [PREL](#) [EINT](#) [VE](#)  
SUBJECT: CHAVEZ SHADOWS POTUS TOUR, PROMISING AID AND LATIN  
AMERICAN INTEGRATION

REF: A. CARACAS 387  
[1](#)B. PORT AU PRINCE 492  
[1](#)C. LA PAZ 679  
[1](#)D. BUENOS AIRES 489

[1](#)1. (SBU) Summary: During Chavez' March 9-13 "shadow tour" of President Bush's Latin American trip, he continued to aggressively push forward his own brand of dollar diplomacy and the "Bolivarian alternative" of regional financing and integration to counter USG initiatives in the region. Chavez signed 11 additional agreements with Argentina including the creation of a South American gas exporters association along the lines of OPEC. He also welcomed Bolivia to the "Banco del Sur" ("Bank of the South") project, announced construction of a USD 2.5 billion refinery in Nicaragua, and jointly announced with Cuba a USD 1 billion humanitarian fund for Haiti. In typical Chavez fashion, he offered few details to support these grandiose projects/promises. Septel will address political perceptions and media reaction. End Summary.

-----  
Argentina: 11 New Accords  
-----

[1](#)2. (SBU) Chavez and Kirchner signed eleven new agreements during Chavez' visit to Argentina March 9 (Reftel D). This latest round of agreements comes on the heels of Kirchner's visit to Venezuela's heavy-oil belt February 21-22, during which the two presidents inked 17 agreements (Reftel A). These new agreements expand on the accords signed in the Faja, including increased agricultural and scientific cooperation between Argentina and PDVSA Agriculture, and joint Venezuelan-Argentine development of natural gas-powered vehicular engines. Venezuela and Argentina also signed a treaty to create an organization of South American gas producers and exporters (OPEGASUR), which they hope will become the gas equivalent of OPEC.

[1](#)3. (SBU) Chavez and Kirchner also welcomed Bolivia to the working group for the "Banco del Sur" (Bank of the South). Both also expressed their hope that the Bank would become a distinctly Latin American financing alternative to the IMF and the World Bank. During the signing ceremony, Chavez, as he did two weeks earlier in the Faja, highlighted the

importance of the Bank of the South as a tool for Latin American integration. "...the Bank of the South is vital for what Peron called the second national independence. And when I say national I am always saying national Argentine-Venezuelan, and even more, our America, South America. The Southern Bank!" proclaimed Chavez. While less dramatic than Chavez, Kirchner also quipped that the new bank was a way out of "subordination" to IMF policies while linking the Banco del Sur project to increased Venezuelan-Argentine cooperation in gas. Kirchner commented that the bank would be an excellent financing tool for the proposed Argentina-Bolivia-Venezuela mega gas pipeline. "For this, the Banco del Sur is a central tool, and we need to foresee as well the possibilities of advancing strongly with the Southern gas pipeline."

-----  
Chavez Welcomes Bolivia to the Banco del Sur Club  
-----

14. (SBU) After his visit to Argentina, Chavez traveled to Bolivia to tour the flood-stricken province of Beni. Chavez announced a USD 15 million aid package to Bolivia and also promised two rescue helicopters and 43 tractors. Chavez then traveled to El Alto where he signed four new agreements with Morales (Reftel C). Bolivia joined Argentina and Venezuela in the Banco del Sur working group and also joined the nascent OPEGASUR organization. Chavez and Morales signed a Treaty of Trade Cooperation and issued a joint declaration for the consolidation of the Bolivarian Alternative for the Americas (ALBA) development model. Chavez expressed his hope that ALBA funds could assist Bolivian disaster victims, while stressing 21st century socialism's role in Latin American integration, "socialism is the road for the union of our

CARACAS 00000574 002 OF 002

peoples, he who wants to construct the reign of God on the earth goes by socialism and he who wants to go directly to hell goes by capitalism."

-----  
USD 2.5 Billion Refinery in Nicaragua  
-----

15. (SBU) Chavez' most extensive economic promises came in Nicaragua, where he announced that Venezuela would build a USD 2.5 billion refinery. He said that Bandes would soon open an office in Nicaragua to provide aid and loans to the rural poor and that Venezuela would construct an aluminum factory. Chavez and Ortega also inked several agreements promoting agricultural cooperation. Ortega also signed onto Chavez' Telesur ("television of the south") for regional telecommunications integration.

16. (SBU) Chavez expects the refinery to process up to 150 thousand barrels of Venezuelan oil/day which, in his view, would convert Nicaragua into a petroleum exporter. Chavez asserted that this would provide Nicaragua with a means of escaping poverty and IMF tutelage. Chavez suggested this project would pave the way for Nicaraguan participation in the Banco del Sur. "With the refinery, we will not need to go begging before the IMF, nor before anyone else, for this we created the Banco del Sur and I am sure that after Ortega settles his accounts with the IMF he will affiliate himself with the Banco del Sur." More than Chavez' hosts in other countries, Ortega appeared to parrot Chavista rhetoric: "In this struggle we have to unite our forces to resist and advance independently from the imperialist model," said Ortega.

-----  
Venezuelan-Cuban Humanitarian Aid for Haiti  
-----

17. (SBU) In Haiti, Chavez' message was less about regional integration and more focused on offering joint humanitarian

aid with Cuba (Reftel B). In a tripartite meeting between Chavez, Haitian President Rene Preval and Cuban Vice President Esteban Lazo during which Fidel Castro reportedly Zned the meeting by phone, Venezuela and Cuba announced the creation of a USD 1 billion fund for Haitian development. Venezuela also re-announced USD 20 million of humanitarian aid through Bandes and USD 57 million to repair Haitian airports. Cuba offered the services of its medical personnel, and Venezuela said it would double the amount of oil Haiti received through Petrocaribe from seven thousand barrels/day to 14 thousand barrels/day.

-----  
Comment  
-----

¶8. (SBU) Though Chavez continues to assert that the parallel timing of his trip with President Bush's visit to Latin America was mere coincidence, it is painfully obvious that his big promises and pronouncements on regional integration were a direct effort to counter the President's visit. Chavez used his tour of the "South" to continue to aggressively push forward increased regional financial and natural gas integration with Argentina and Bolivia. In typical Chavez fashion, the deals he announced and accords he signed contained grandiose projects with few details. Several of the aid promises made in Haiti were simply re-announcements of previous commitments. With respect to the creation of an OPEGASUR, absent from the announcement was even a general overview as to organizational structure and how it would function. Chavez continues to pitch the Banco del Sur an alternative to the IMF and World Bank. While he and Kirchner are still hopeful to construct a South American gas pipeline, the suggestion that a fledgling Banco del Sur could finance this multi-billion project is unfathomable.

BROWNFIELD